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DIRECTORATE OF  
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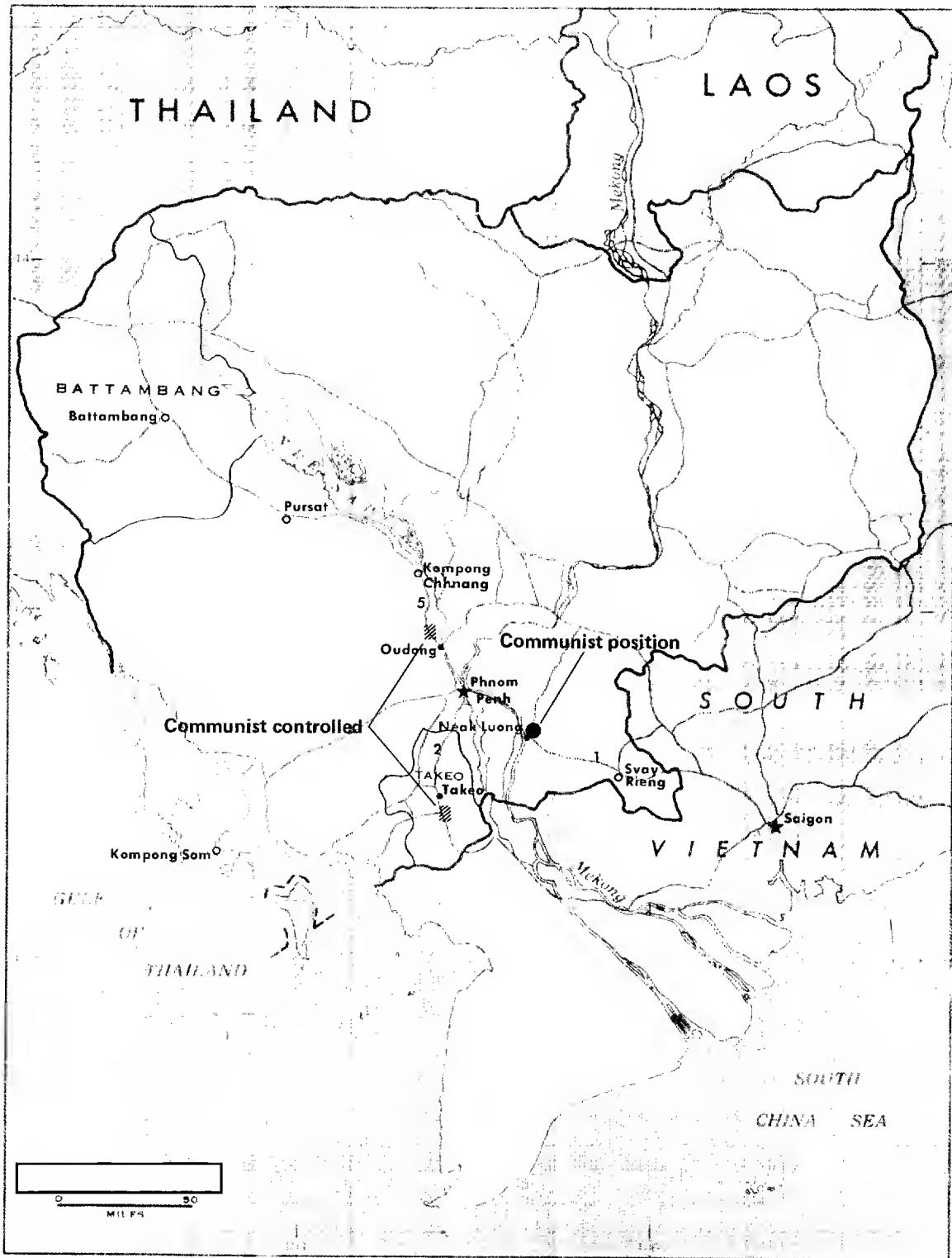
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## CAMBODIA



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CAMBODIA: The Communists are keeping government forces off balance on several fronts.

Khmer Communist elements have set back the government's efforts to reopen Route 5 to regular truck convoys carrying rice from Battambang Province to Phnom Penh. In recent days they have destroyed a bridge and gained control over a four-mile stretch of Route 5 some 33 miles northwest of the capital near Oudong. The Cambodians are now trying to organize another operation to clear the road, which had been due to open to traffic this week.

East of Phnom Penh, government units in the vicinity of Neak Luong have met some strong Communist opposition. Two Khmer Krom battalions that were involved in the government operation to drive the Communists from a key high-ground position overlooking Neak Luong have been dispersed by sharp Communist ground attacks and shellings.

In Takeo Province, Cambodian forces have once again cleared Route 2 between Phnom Penh and the town of Takeo. Portions of the highway have been badly damaged by the recent fighting, however, and the Khmer Communists still hold a four-mile section of Route 2 south of Takeo.

The Communists can be expected to sustain and perhaps intensify their offensive actions against the government's principal lines of communication. In doing so, they will seriously complicate Phnom Penh's efforts to obtain sufficient supplies of rice over Route 5 and via the Mekong River. If the Cambodians remain pinned down at Neak Luong, the Communists will be in an improved position to harass the shipping convoys on the Mekong. 2

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DENMARK: The ruling Social Democrats have chosen Anker Jorgensen to succeed Jens-Otto Krag as prime minister.

Krag resigned yesterday a few hours after Denmark voted overwhelmingly to join the European Communities. Krag was vague concerning his motives for resigning, but claimed he had been looking for an appropriate opportunity to step down. He probably viewed the EC vote as this opportunity and as the capstone of his domestic political career.

Jorgensen, 50, has been president of Denmark's largest trade union since 1968 and a member of parliament since 1964, but he has never held a ministerial post. His left-wing stance on most issues may make him particularly acceptable to those elements of the party that opposed entry into the EC, and his appointment may therefore represent an effort to reunify the party. The new prime minister has until recently been a vigorous critic of US policy in Vietnam as well as of other aspects of American life.

Jorgensen's one-time opposition to EC membership may enable him also to patch up relations between his party and the leftist Socialist People's Party (SF), which opposed EC membership and on which the Social Democrats depend for a majority in parliament. If Jorgensen does appeal to the SF, the present government might be able to stave off elections, at least for a time. The three bourgeois opposition parties look stronger in the wake of the referendum, and they apparently want new elections to recapture the mandate they lost last year.

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BURMA: Prime Minister Ne Win has failed to present any constructive proposals for dealing with a potentially serious food shortage, and public unrest remains high.

Shortages of rice and scare buying during the summer drove prices up, and at least ten warehouses near Rangoon were looted early last month. The price of cooking oil also shot up as a result of a poor oilseeds crop and a cut in imports. Some local authorities seized private stocks for public distribution.

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The rice problems stem largely from long-existing government policies and bureaucratic ineptitude. When Ne Win came to power in 1962, free trading in rice was abolished and the government's procurement price was set so low that rice production has declined. The government has had increasing difficulty procuring rice for distribution in the cities and for export. Moreover, during a slump in the world rice market in 1969 and 1970, Rangoon made matters worse by encouraging production of substitute crops.

Government stocks of rice currently are sufficient only to meet the needs of urban areas at a reduced rate until the next harvest in December. Rural areas are being left to fend for themselves, although private stocks there were sold during the summer in order to take advantage of higher prices.

In a speech to a high-level party conference on 29 September, the prime minister admitted that rice and cooking oil were in short supply, but recommended only that consumers tighten their belts and shift to other foods until the harvest. Rejecting any suggestions of a change in policy, he blamed the price rises on worldwide inflation and complained that farmers were growing crops that

would bring in the most money, rather than those called for by the economic plan. Consumer dis-  
gruntlement, however, will be kept within manageable limits by the government's tight security  
controls.

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MEXICO: The government has shown its sensitivity over internal security matters by rebuffing opposition attempts to air the subject. 1,2

The governing Revolutionary Institutional Party (PRI) used its overwhelming congressional majority to vote down a proposal by the major opposition party to question the defense minister about recent guerrilla activity in the southwest state of Guerrero and "acts of violence" elsewhere. A PRI spokesman charged that such an inquiry would turn Congress into a "body of inquisition," and make the army appear to be serving "interests contrary to those of the people." The opposition countered by questioning the reality of the government's much heralded "democratic opening," supposedly exemplified by recent highly publicized appearances before Congress of the finance and foreign ministers. The government's reaction was in line with its insistence that the recent incidents are acts of common criminality rather than symptoms of a serious security problem. 1,2

The administration no doubt is concerned that a quizzing of the defense minister might uncover embarrassing information about the security situation.

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MALAGASY REPUBLIC - USSR: The establishment of diplomatic relations with the Soviet Union, announced at the end of Foreign Minister Ratsiraka's trip to Moscow, is the latest in a series of foreign policy changes carried out by General Ramanantsoa's government. 1, 2

The communique announcing the decision made no reference to the form of representation, but the Malagasy prefer that a Soviet envoy to another African country be accredited to Tananarive on a non-resident basis. The two countries will probably now negotiate commercial accords similar to those initiated by President Tsiranana's government in 1967 but never implemented. The establishment of relations marks a significant departure from the policies of Tsiranana, now only a figurehead, who was wary of contacts with Communist countries and had permitted relations with only two East European countries on a non-resident basis. 1, 3, 6

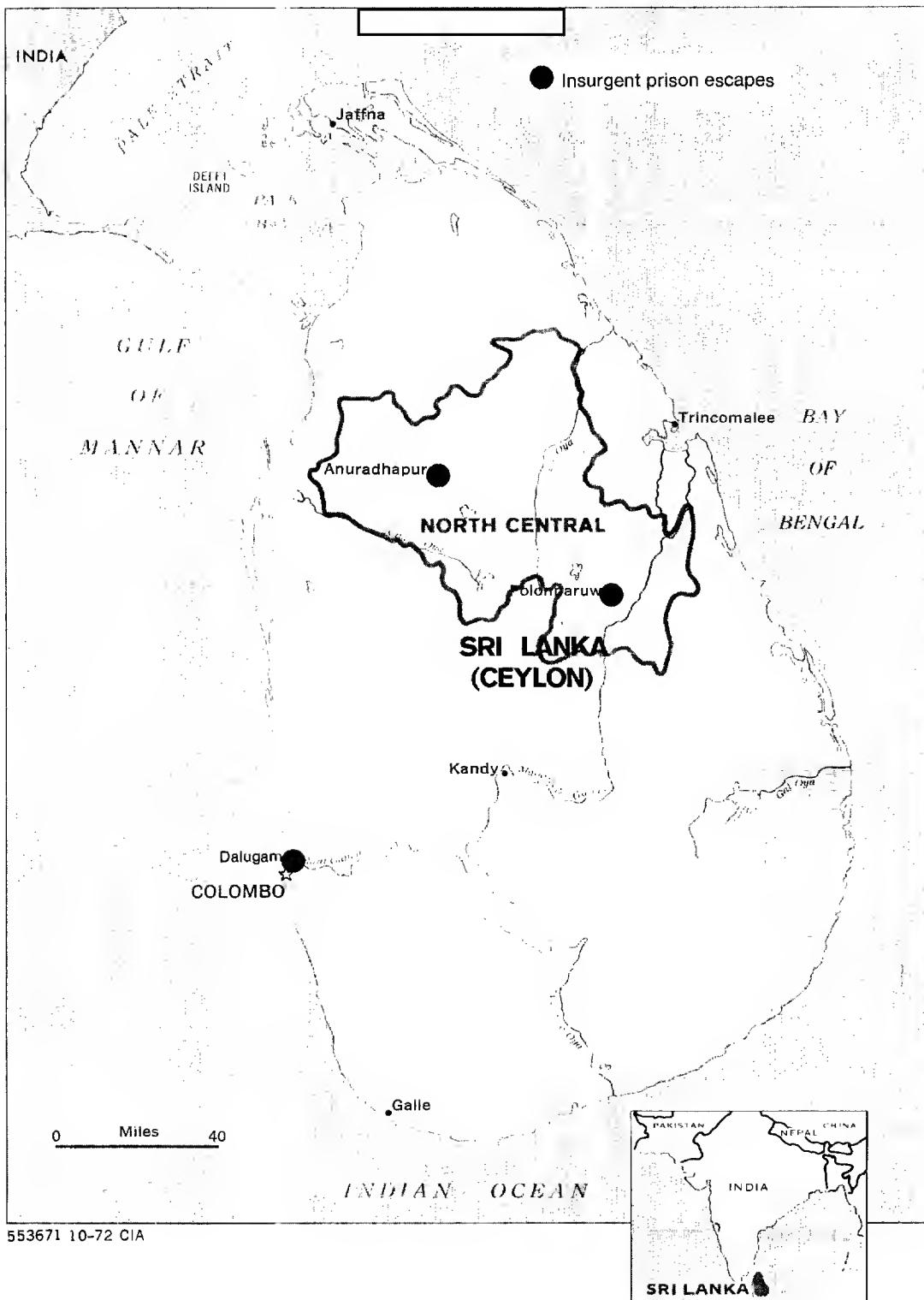
Since coming to power in May, the new government has ended economic aid from the South African Government, begun strengthening previously neglected relations with other African countries, and made a sizable financial contribution to African liberation movements. Ratsiraka recently paid a highly successful visit to Tanzania as a first step toward broadening contacts between the two countries. While in Dar es Salaam, Ratsiraka discussed [redacted] the possibility of establishing commercial relations with Peking, but avoided the question of diplomatic relations. 5, 6

The changes reflect the government's wish to dissociate itself from the policies of Tsiranana and to develop a more nationalist-oriented foreign policy while decreasing dependence on France. The new policies also are determined to some extent by economic considerations. Increased trade and aid from Communist countries could help bolster the sagging economy, although ideology clearly prevailed over economics in the case of South Africa. 6

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SRI LANKA: The insurgent movement, which con-  
vulsed the country 18 months ago, remains very much ] /  
alive.

Youthful insurgents continue to make their presence felt, mainly in the North Central Province. ] /, 3  
The most recent incident was an assault on a jail by about 30 armed men who succeeded in freeing some 35 prisoners, most of them captured insurgents. Last June the government was embarrassed when some 80 insurgents escaped from detention camps in three separate incidents. A number of minor disturbances--mostly holdups--have also been attributed to insurgent groups in recent months. ] /, 3

Well over 1,000 insurgents were killed and at least 15,000 captured in the large-scale uprising of April 1971. The rebels seem to lack the cohesion and resources to carry out a similar attempt again soon, but they appear capable of undertaking more limited operations such as robberies, sabotage, or even terrorist actions. A number of small isolated bands are at large, and their numbers probably will be augmented from among the more than 12,000 persons who have been released from government detention camps in recent months. The government, which is currently prosecuting insurgent leaders, claims it has been releasing only those whose involvement last year was marginal, but some of these youths probably were radicalized during their long detention and may be joining or aiding insurgent groups. ] /, 3  
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CHILE: The government plans to seek US commodity export credits to finance part of its 1973 grain purchases. Should credit not be available, Chilean officials have been authorized to use scarce foreign exchange to pay for the grain. The head of the government agricultural marketing agency is under great pressure to contract for next year's needs. Other suppliers, such as Argentina and Australia, apparently will supply only about half of Chile's requirements because of poor crops, commitments to other customers, and doubts about Santiago's ability to repay existing grain export credits. Chile will need to import nearly one million tons of wheat and about one half million tons of corn next year. [redacted]

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PHILIPPINES: President Marcos' recent decree offering incentives to foreign companies to engage in oil exploration probably will fail to attract major investment, in the short term at least. Although the decree appears to offer favorable conditions for US investments, it is uncertain whether it will be implemented or whether it would be upheld by the courts following the end of martial law. Foreign oil companies, already increasingly fearful of nationalization, have suspended the limited oil exploration work that had been under way. Moreover, concern with declining profits in the companies' distribution operations has led some of them to consider leaving the Philippines altogether. [redacted]

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